



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

| | | | |
|-------------------------|----------------|----------------|--|
| Bill # | SB0353 | Title: | Remove license tax incentive for ethanol |
| Primary Sponsor: | Black, Jerry W | Status: | As Introduced |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$6,368,789 | \$6,335,353 | \$6,516,363 | \$6,697,373 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: SB 353 proposes to remove the 15% tax reduction for ethanol-blended fuel.

FISCAL ANALYSIS

Assumptions:

Department of Transportation

1. The estimated number of gasoline gallons currently in HJR 2 for FY 2010 is 453,779,052 and FY 2011 is 451,396,712. FY 2012 and FY 2013 are assumed to remain at FY 2011 levels.
2. The federal Renewable Fuels Standard Act mandates that a certain percentage of gasoline contains ethanol. Under the act, this percentage progressively increases every year. The federal Environmental Protection Agency (EPA) determines the yearly percentage increase. The monthly average percentage of gallons eligible for the reduced tax rate is 35% in FY 2010 and FY 2011. One percent increases per year result in a monthly average percentage of gallons eligible for the reduced tax rate of 36% in FY 2012 and 37% in FY 2013.
3. Under the law, a licensed distributor receives a 1% collection fee and remits 99% or .2673 (.27 x .99) cents tax to the state for every gasoline of gallon. The 15% reduced tax rate is equal to .0401 cents per gallon (.2673 x .15) for every eligible ethanol-blended gallon.

4. The bill is effective on July 1, 2009. Ethanol-blended gallons distributed in June and reported in July will still be eligible for a reduced tax rate.
5. FY 2010 impact: 453,779,052 gals x 35% eligible x .0401 dollars/gal
6. FY 2011 impact: 451,396,712 gals x 35% eligible x .0401 dollars/gal
7. FY 2012 impact: 451,396,712 gals x 36% eligible x .0401 dollars/gal
8. FY 2013 impact: 451,396,712 gals x 37% eligible x .0401 dollars/gal

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| TOTAL Expenditures | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Funding of Expenditures:</u> | | | | |
| TOTAL Funding of Exp. | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | <u>\$6,368,789</u> | <u>\$6,335,353</u> | <u>\$6,516,363</u> | <u>\$6,697,373</u> |
| TOTAL Revenues | <u>\$6,368,789</u> | <u>\$6,335,353</u> | <u>\$6,516,363</u> | <u>\$6,697,373</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$6,368,789 | \$6,335,353 | \$6,516,363 | \$6,697,373 |

Sponsor's Initials

Date

Budget Director's Initials

Date